



The Dow Chemical Company

2Q 2016 Earnings Conference Call

July 28, 2016

SEC Disclosure Rules

Some of our comments today include statements about our expectations for the future. Those expectations involve risks and uncertainties. Dow cannot guarantee the accuracy of any forecasts or estimates, and we do not plan to update any forward-looking statements if our expectations change. If you would like more information on the risks involved in forward-looking statements, please see our Annual Report and our SEC filings.

In addition, some of our comments reference non-GAAP financial measures. Where available, presentation of and reconciliation to the most directly comparable GAAP financial measures and other associated disclosures are provided on the Internet at www.dow.com/investors.

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Operating earnings per share is defined as earnings per share excluding the impact of "Certain Items." See Supplemental Information at the end of the earnings release for a description of these items, as well as a reconciliation of operating earnings per share to "Earnings per common share – diluted."

"EBITDA" is defined as earnings (i.e., "Net Income") before interest, income taxes, depreciation and amortization.

"Operating EBITDA" is defined as EBITDA excluding the impact of Certain Items.

"Operating EBITDA margin" is defined as "Operating EBITDA" as a percentage of reported net sales.

"Net debt" equals total debt ("Notes payable" plus "Long-term debt due within one year" plus "Long-Term Debt") minus "Cash and cash equivalents."

Net Income plus Preferred Stock Dividends plus Net Income Attributable to Noncontrolling Interests plus gross interest expense less tax on gross interest expense. "Adjusted Net Income" is defined as Net Income excluding the impact of "Certain Items." "Total Capital" is defined as Total Debt plus The Dow Chemical Company's Stockholders' Equity plus Redeemable Noncontrolling Interest plus Non-redeemable Noncontrolling Interests.

"Adjusted Net Operating Profit After Tax" excludes the impact of "Certain Items."

"Free Cash Flow" is defined as Cash from Operating Activities less Capital Expenditures.

"Sales excluding acquisitions and divestitures" excludes prior period sales of recent divestitures and current period sales of recent acquisitions.

SQLY is defined as "Same Quarter Last Year"; PQ is defined as "Prior Quarter"; YoY is defined as "Year over Year"; TTM is defined as "trailing twelve months."

"EMEA" is defined as Europe, Middle East, Africa and India



Delivering on Our 2016 Priorities

1 Achieving the operating and financial plan

- ✓ 15th consecutive quarter of YoY operating EPS and EBITDA margin expansion
 - Highest 2Q operating EBITDA margin in a decade, reaching 21%
- ✓ 11th consecutive quarter of volume¹ growth
- ✓ Record 2Q operating EBITDA of \$2.5B and Cash Flow from Operations² of \$2.2B
 - Operating EBITDA growth in all Consumer Solutions and Infrastructure Solutions businesses

2 Close the Dow Corning transaction by mid-year 2016

- ✓ Announced the closing on June 1; raised cost synergy target by \$100MM to \$400MM
- ✓ Capturing full value from Silicones franchise

3 Progressing through key DowDuPont milestones

- ✓ Form S-4 declared effective (June 9); Form CO filed with EC regulatory authority (June 23)
- ✓ Merger overwhelmingly approved by both Dow and DuPont shareholders (July 20)

**Driving Top- & Bottom-Line Growth Through
Integration, Technology and Market Focus**



1. Excluding the impact of divestitures and acquisitions
2. Excluding the impact of K-Dow arbitration award on the 2Q13 results

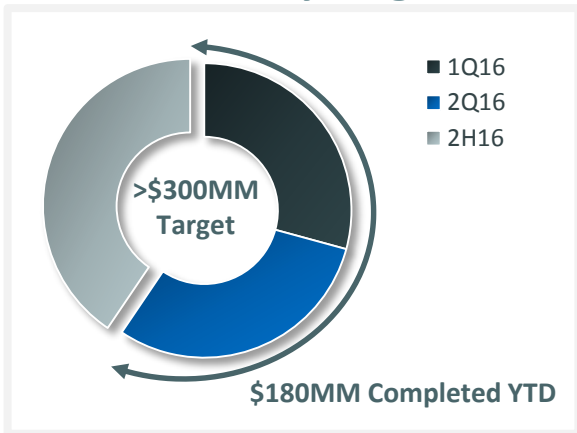
Agenda

- **Second Quarter Review**
- Dow Corning: A New Element for Growth
- Value Growth Drivers
- Outlook

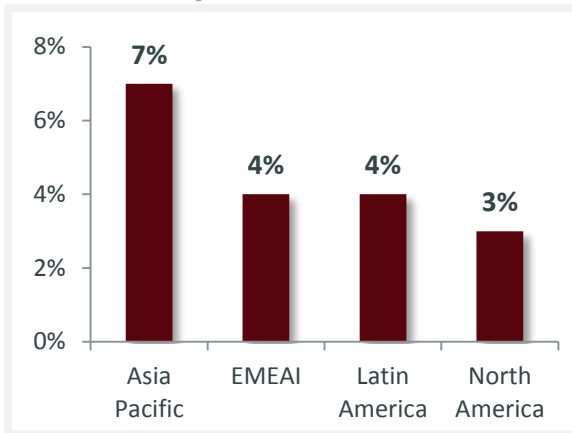
Delivering Over Both the Near-Term and Long-Term

2016 Productivity Progress (\$MM)

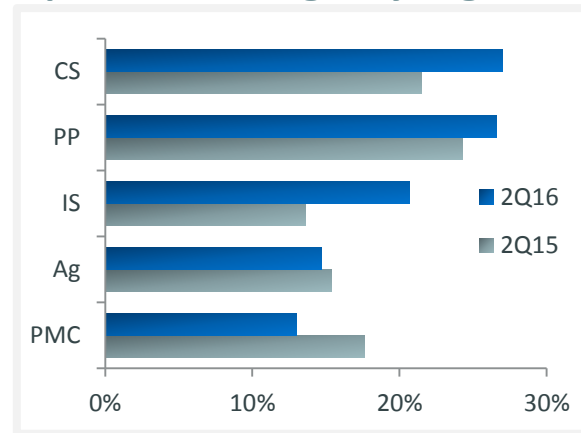
2Q16



Volume¹ by Geo. Area vs. SQLY

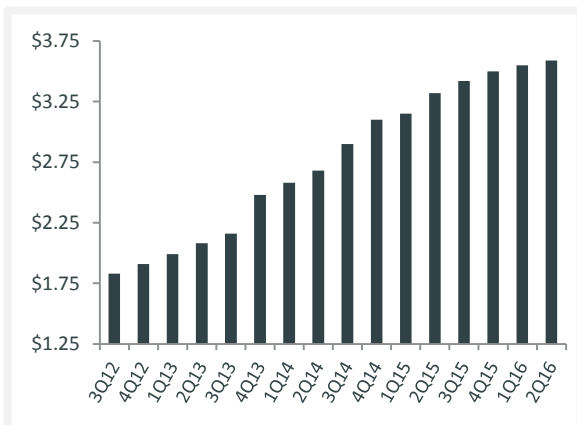


Op. EBITDA Margin by Segment

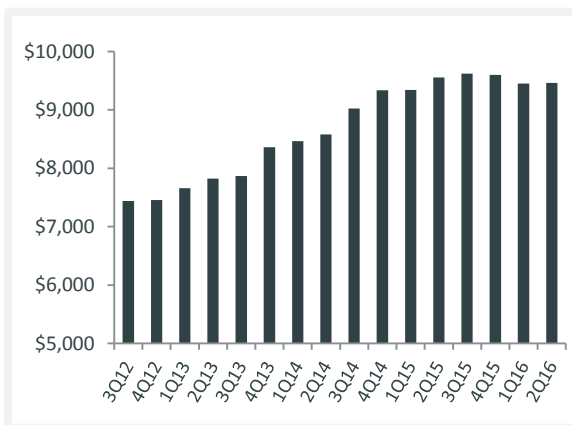


Operating EPS (TTM basis)

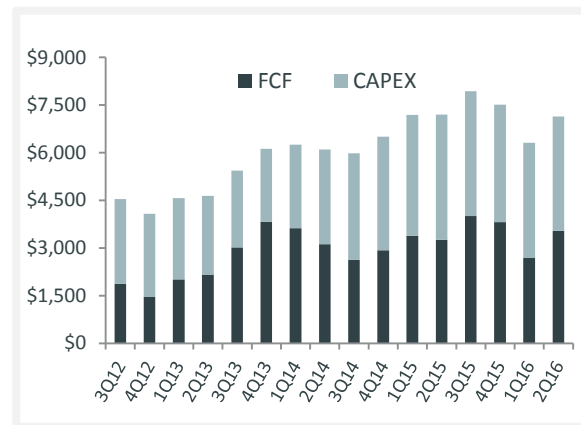
Long-Term



Operating EBITDA (TTM basis, \$MM)



Cash Flow² TTM (TTM basis, \$MM)



2Q16 Record Cash Flow from Operations² and Operating EBITDA; Dow has Returned \$14B of Cash³ to Shareholders Over the Last Four Years



1. Excludes the impact of divestitures and acquisitions
 2. Excluding the impact of K-Dow arbitration award
 3. Common dividends paid + share repurchases (includes \$1.5B in non-cash share repurchases related to the Dow Chlorine Products transaction)

Agricultural Sciences: *Self-Help Mostly Offsets Challenging Macros & Divestitures*

Double-Digit Corn Growth More than Offset by Industry Headwinds



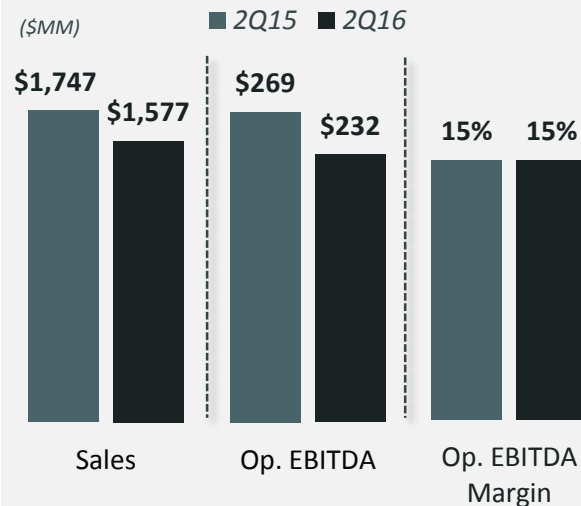
- Lower sales as double-digit demand growth in corn seeds was more than offset by lower crop commodity prices, high inventories and currency headwinds
- Crop Protection volume was lower, primarily driven by reduced demand for generic herbicides and the AgroFresh divestiture in the year-ago period
- 1H16 operating EBITDA was modestly lower vs. 1H15 on the impact of divestitures, as proactive self-help mostly offset challenging macros

Business Outlook

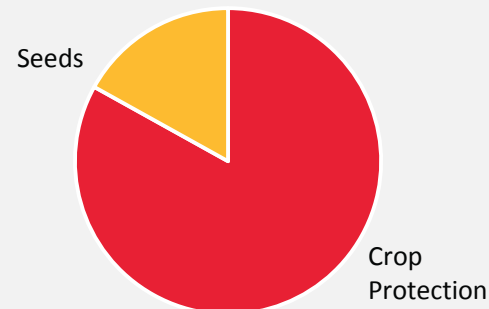


- Dow's self-help productivity measures and continued progress on new product introductions drive above-market earnings performance despite challenging macros
- Overall market expected to be down 5% in 2016, with high yields in North America and low crop prices
- 2H16 crop protection volume flat with pricing pressure from lower demand for insecticides and generic herbicides
- 2H16 LAA season outlook builds behind softer Safrinha yield and projected acreage increase on continued Chinese import demand for protein production
- Brazil/Argentina stabilizing from a currency perspective, but geopolitical uncertainty remains

Quarterly Segment Performance



2Q16 Sales Split by Business¹



1. Excluding the impact of divestitures and acquisitions

Consumer Solutions: *Record Quarterly Operating EBITDA*

Dow Automotive Systems – Record 2Q Operating EBITDA



- Innovation driven momentum continues led by double-digit demand growth in EMEA and Asia Pacific, as well as the United States region, fueled in part by new commercial wins
- Continued above-market growth driven by robust demand for Dow's innovations and customer preference for SUVs and trucks, which feature more Dow content

Consumer Care – Higher Earnings on Share Gains in Targeted Sectors



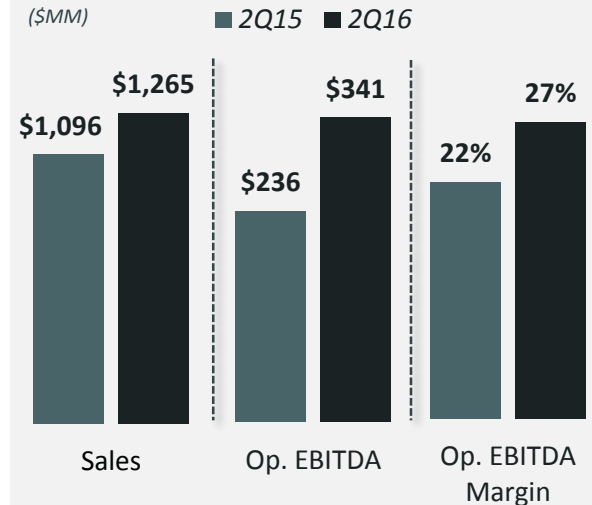
- Double-digit volume growth in personal care applications, as well as volume expansion in home care market sectors
- Soft demand in pharma chain, driven by inventory de-stocking
- Operating EBITDA increased on demand growth driven by new business wins, product launches and market share gains

Dow Electronic Materials – Double-Digit Operating EBITDA Growth

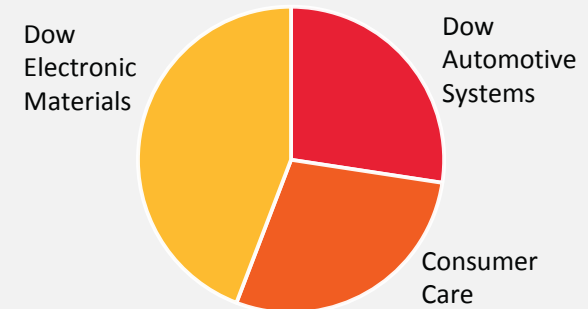


- Double-digit operating EBITDA growth on self-help actions and demand for Dow's innovative solutions that enable higher density, smaller semiconductors for consumer devices
- Volume growth driven by new business wins and share gains in the semiconductor and display market sectors

Quarterly Segment Performance



2Q16 Sales Split by Business¹



Consumer Solutions – Silicones: 1H16 operating EBITDA higher Y-o-Y on strong demand in the consumer care market sector



1. Excluding the impact of the Dow Corning transaction

Infrastructure Solutions: *Operating EBITDA Growth in All Businesses*

Dow Building & Construction – Record Quarterly Operating EBITDA



- Volume gains in most geographies – led by double-digit gains in EMEA and Latin America
- Earnings growth based on share gains in new DIY spray foam innovations (FROTH-PAK™, GREAT STUFF™ and STYROSPRAY™) and continued adoption of BLUEEDGE™ technology

Energy & Water Solutions – Self-Help Actions Mitigate Energy Headwinds



- Saudi RO plant is running at full rates, allowing demand in emerging geographies to be met
- Oil and gas exploration headwinds persist as U.S. projects remain low

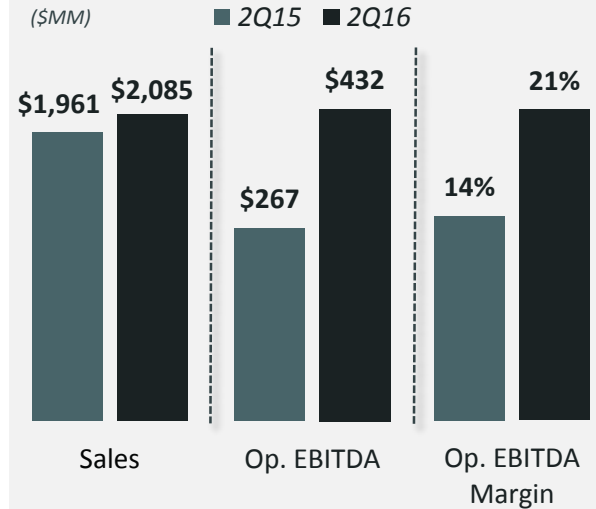
Performance Monomers – Strategy Shift Propels Monomers Improvement Dow Coating Materials – Volume Growth in All Market Sectors



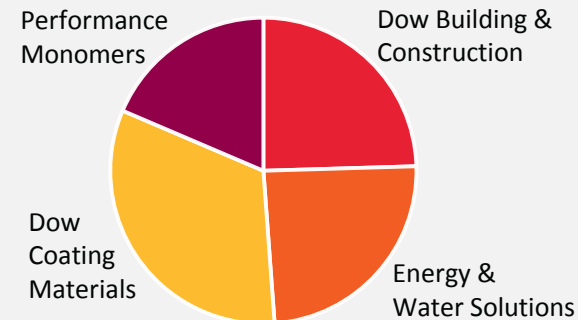
- Monomers earnings uplift reflects benefit from strategy to reduce merchant exposure
- Dow Coating Materials achieved volume growth in both industrial and architectural coating sectors
- New vinyl acrylic binders enabling share gains, greater captive use of monomer and diversification

Infrastructure Solutions – Silicones: 1H16 op. EBITDA higher on double-digit demand growth with increases in all geographic areas

Quarterly Segment Performance



2Q16 Sales Split by Business¹



1. Excluding the impact of the Dow Corning transaction

Performance Materials & Chemicals: *Lower Equity Earnings, Turnaround Impacts*

Polyurethanes – Further Growth in Specialty and Differentiated Business



- Double-digit volume growth in higher-margin, differentiated system house applications, particularly in Asia Pacific, where sustainable urbanization is driving consumer demand
- Operating EBITDA lower on Sadara start-up costs, pricing pressure and higher turnaround spending
- Sell-out/sell-up strategy continues to accelerate with specialty portfolio volume nearly doubling over the last two years

Industrial Solutions – Lower Equity Earnings More Than Offset Self-Help



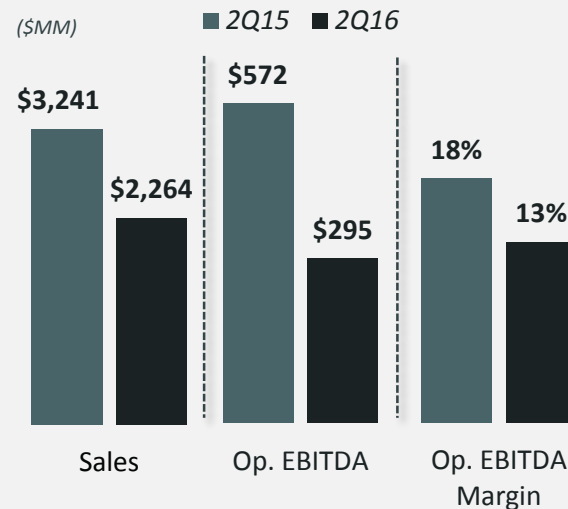
- Volume impacted by expiration of long-term supply arrangement and reduced demand from solar applications, more than offsetting higher ethylene oxide catalyst sales
- EBITDA decrease primarily driven by lower equity earnings on higher Sadara start-up costs, change in MEGlobal ownership and lower monoethylene glycol prices

Chlor-Alkali and Vinyl – Turnaround Impacts Volume Availability

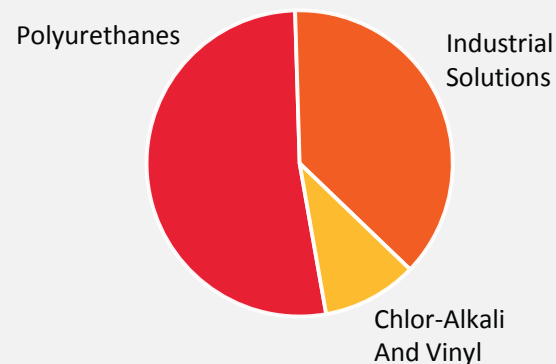


- Divestiture of Dow Chlorine Products in 4Q15 resulted in reduced earnings and narrower geographic focus
- Operating EBITDA gains from caustic improvements more than offset by planned turnaround activity

Quarterly Segment Performance



2Q16 Sales Split by Business¹



1. Excluding the impact of divestitures and acquisitions

Performance Plastics: *Record 2Q Operating EBITDA*

Dow Packaging and Specialty Plastics – Record 2Q Operating EBITDA



- Record 2Q sales volume, enabled by operational excellence and consumer-led demand, delivers operating EBITDA growth
- Operating EBITDA margin expansion driven by geographic breadth and differentiated product lines
- Sequential improvement in Latin America driven by regional demand growth

Dow Elastomers – New Customer Wins and Op. EBITDA Margin Uplift



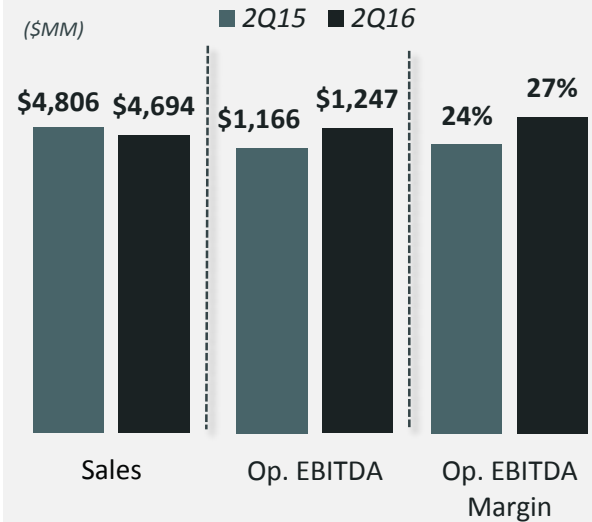
- Transportation end-market remains strong behind customer preference for ENGAGE™ and NORDEL™ technologies
- Operating EBITDA margin uplift from continued portfolio tilt to consumer solutions with AFFINITY GA™ in hot melt adhesives and INFUSE™ in high performance footwear

Dow Electrical and Telecommunications – Record 2Q Operating EBITDA

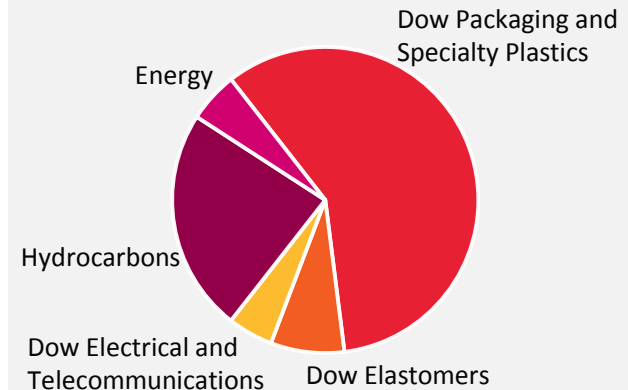


- Volume growth in all geographic areas with double-digit gains in the telecommunication sector behind continued demand for fiber optic, coaxial and jacketing solutions
- Operating EBITDA margin expansion driven by shift in product mix to higher margin, specialty applications

Quarterly Segment Performance



2Q16 Sales Split by Business¹



1. Excluding the impact of divestitures and acquisitions

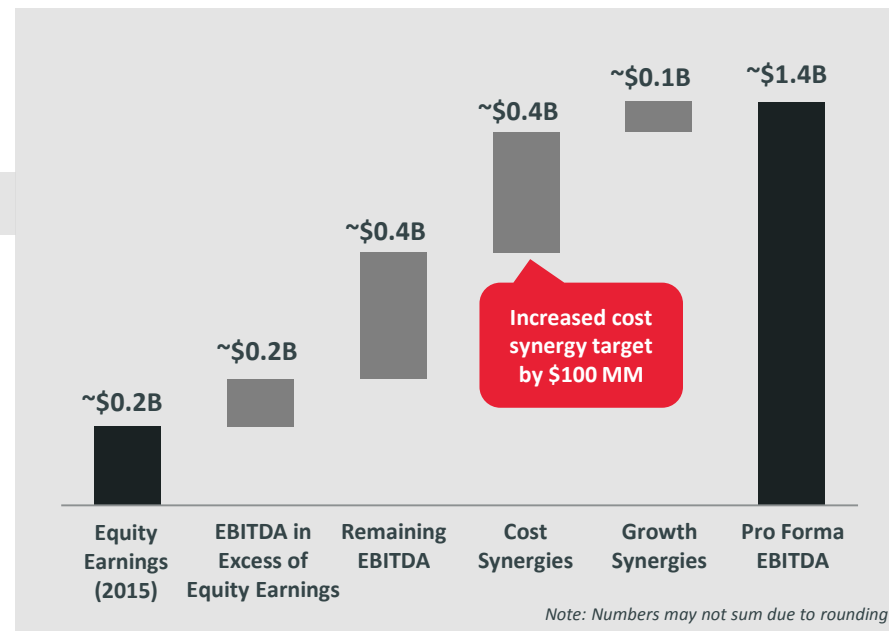
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- **Dow Corning: A New Element for Growth**
- Value Growth Drivers
- Outlook

Dow Corning Ownership Restructure Impacts

Value Drivers

- Accretive to operating EPS, cash flow from operations and free cash flow in first full year after Close
- Adds >\$1B of EBITDA at full synergy run rate of \$500MM
 - Dow captures 100% of the synergies by assuming remaining 50% ownership stake
 - Dow is uniquely positioned to capture quick-win synergies; increased cost synergy target by \$100MM, announced headcount reduction of ~1,800
 - Expect to deliver 30% run rate on cost synergies by YE 2016; 70% run rate by end of Year 1
- Adjacencies drive growth in targeted end-markets



Balance Sheet Impacts as of June 1

Assets (\$MM)		Liabilities (\$MM)	
Cash	\$1,050	Long-Term Debt	\$4,672
Inventory	1,147	Accounts Payable	374
Accounts Receivable	863		

\$3.6B Increase in Net Debt; \$1.6B Increase in Net Working Capital

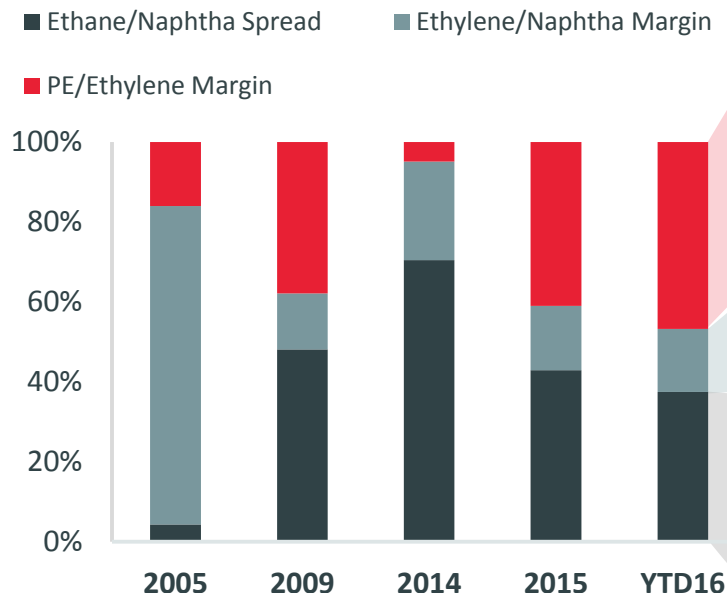


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Maximizing Our Competitive Position

Sources of Value Vary Over Time



TDCC Op. EBITDA (\$B)	\$8.6	\$5.3	\$9.3	\$9.6	\$4.7
Brent Oil Price (\$/bbl)	\$55	\$63	\$99	\$54	\$41

Source: IHS; Bloomberg; Internal Dow

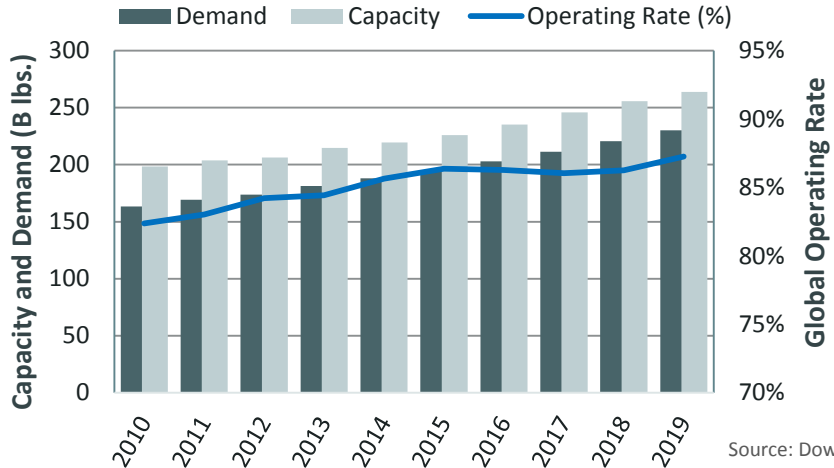
How Dow Maintained/Expanded Margins

- Dow's integration has allowed chain margins to show resilience as PE margins have expanded relative to ethylene
- PE/ethylene margin likely to persist as PE demand growth remains strong
- Due to Dow's global footprint, lower margins in the Americas have been partially offset by higher ethylene margins in Europe and Asia
- Improved reliability in the Americas has helped offset lower ethylene margins
- For Dow, value of feedstock flexibility will grow as oil re-balances, driving advantages for our LPG and propane flexibility
- Dow differentiation adds value on top of energy and supply/demand dynamics
- Value of Dow's innovative products and customer intimacy increases

**Maximizing Value Throughout the Chain,
Under Every Operating and Macro Environment**

Operating Rates Remain High in Forecast Period

Polyethylene



Dow's View on Market Drivers

Operating rates likely stable over next few years

- Demand growth in consumer-driven markets
- Industry forecasts overstate capacity adds
- Significant new capacity destined for highly commoditized applications

Current conditions

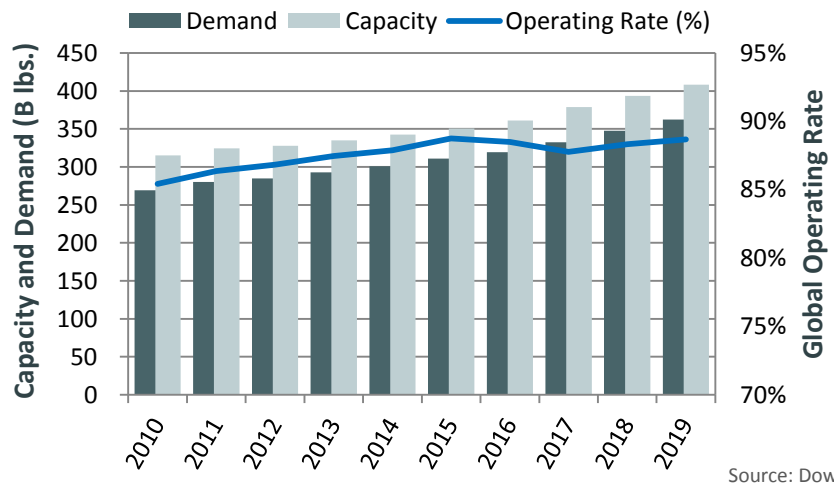
- Margins firm, inventories below average

Dow's competitive advantages

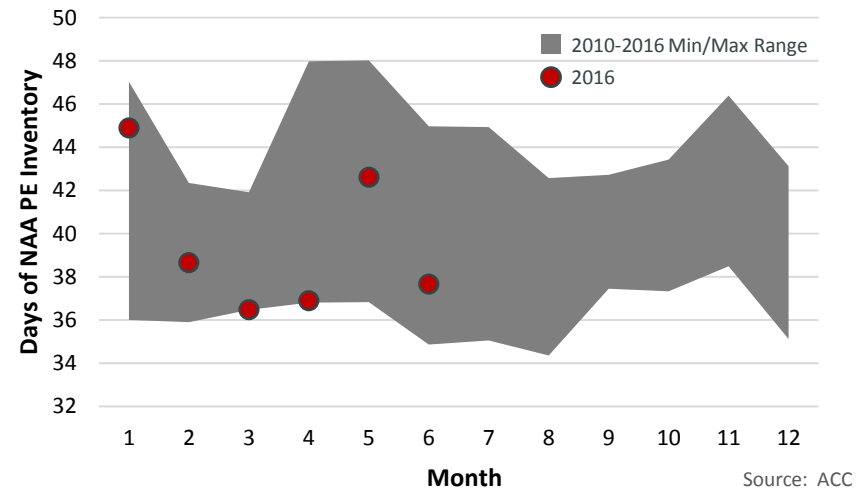
- Global reach, customer intimacy, application development, innovation-driven value-add

Ethylene and PE Capacity Adds Match Demand Growth

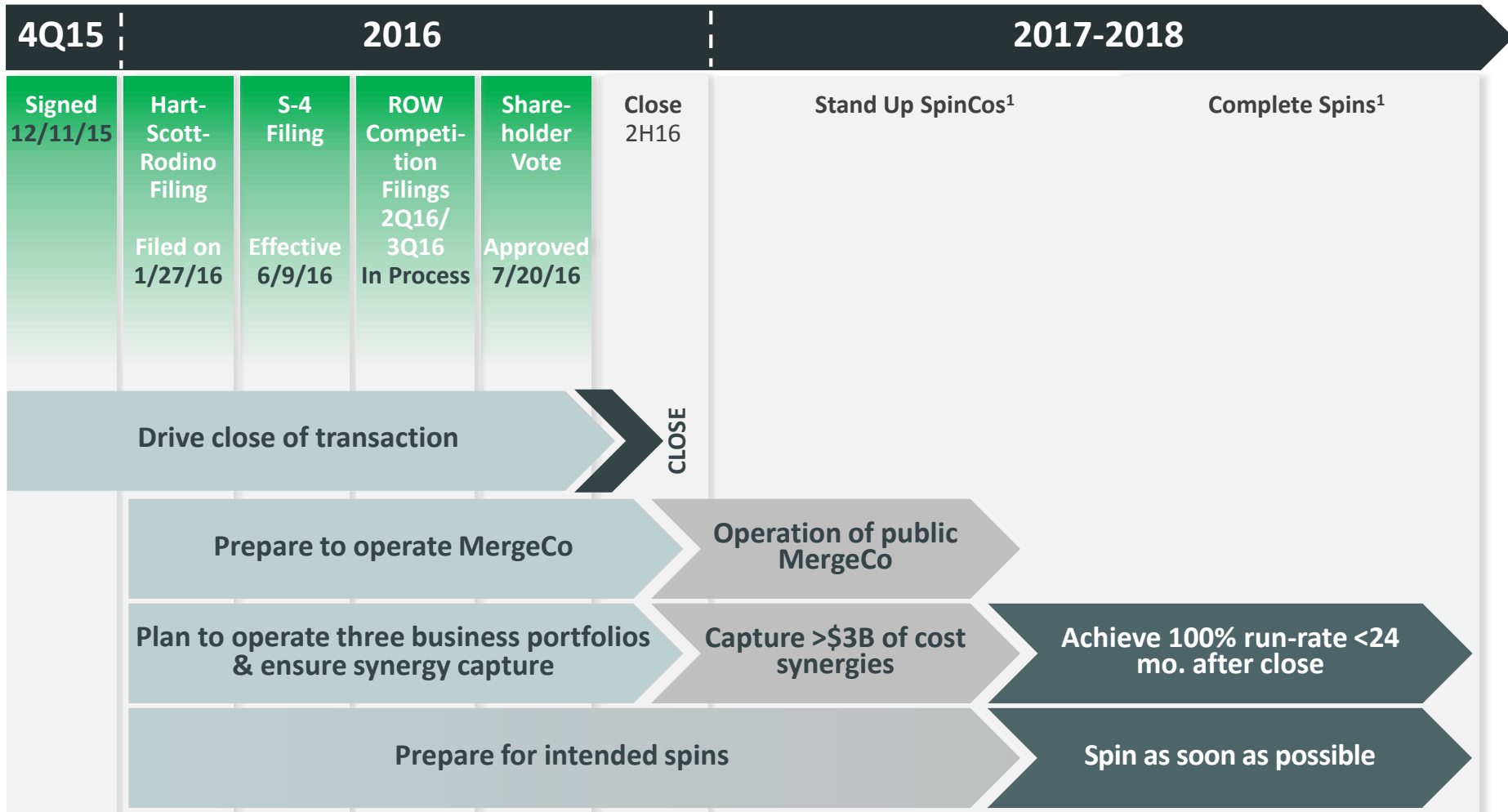
Ethylene



PE Inventories Near Bottom of Range



Significant Progress on Execution of Planned Merger

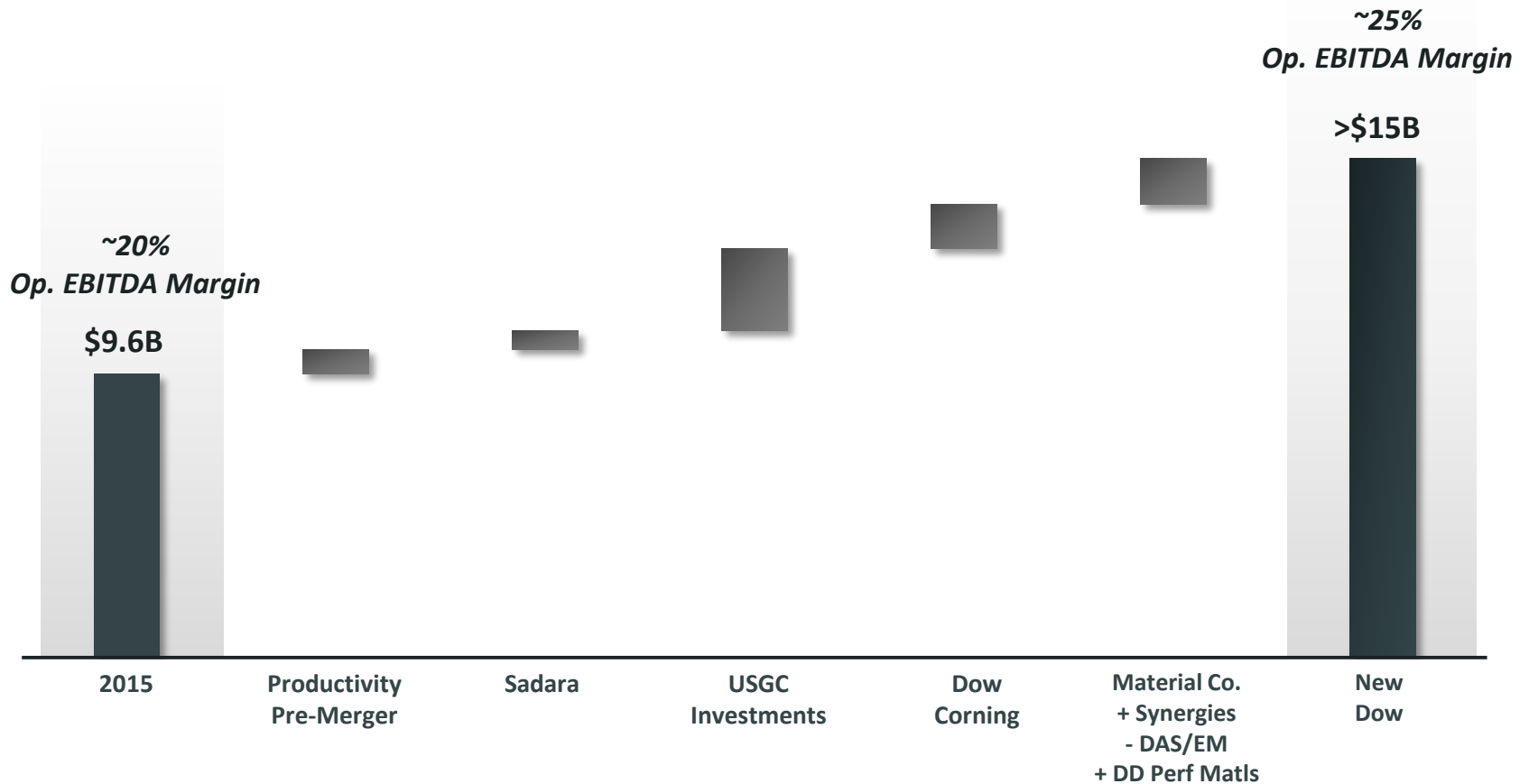


Each Company's Planning Teams are Making Progress to Expedite Synergy Capture Upon Merger Closing; Carve-Out Financial Work Underway

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Specific Value Drivers Deliver EBITDA Growth



Outlook

- U.S. economy resilient, driven by consumer
- Europe showing strength
- China continues its consumer-led growth path
- Other emerging economies finding bottom

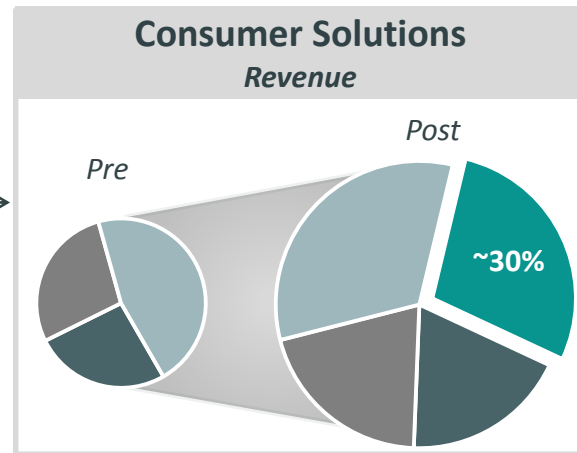


Appendix

Silicones Platform Has a Natural Fit Within Dow

Consumer Solutions – Silicones

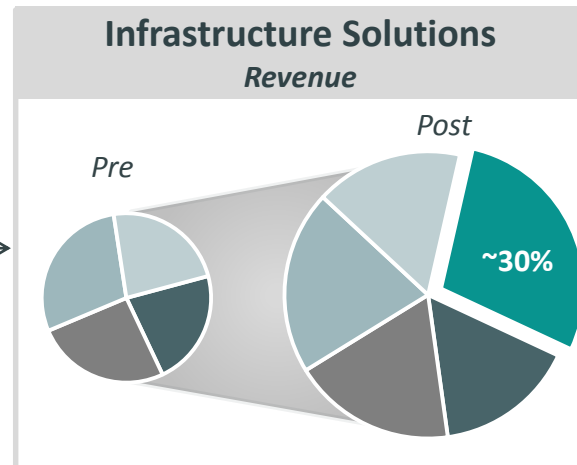
~35% of Revenue
~50% of EBITDA



DOW CORNING

Infrastructure Solutions – Silicones

~65% of Revenue
~50% of EBITDA



Transportation

- **Broader** set of materials for differentiated solutions



Consumer

- **Heightens** sensory experience in personal care offerings



Electronics

- **Enhances** component manufacturing and device assembly



Construction

- **Increases** design freedom and improves durability



Energy

- **Diversifies** heat transfer fluids for energy efficiency



Coatings & Additives

- **Enrich** and control desired properties in end-uses

Seamless Business Alignment; Adds High-Margin Revenue in Targeted End-Markets



■ Outlook – *Delivering With Focus and Resilience In Uncertain Times*

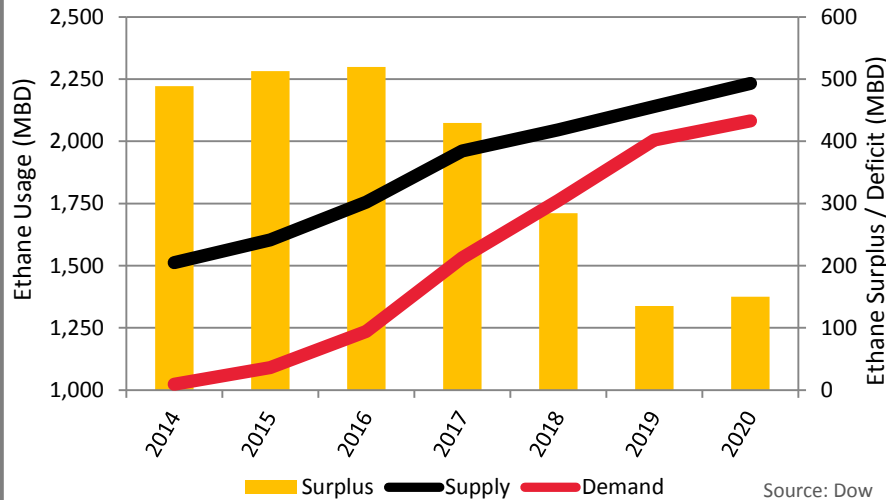
- Geographic trends reflect uneven pace of economic recovery
 - Positive demand continues in North America
 - Gradual recovery in Europe
 - Latin America showing early signs of improvement
 - Increasingly affluent consumers continue to support growth across Asia
- End-market demand continues to highlight consumer strength
 - Packaging chain inventories remain low, demand remains robust
 - Transportation demand for structural adhesives, acoustic insulation growing above industry
 - Infrastructure strength in building and construction, coatings and wire and cable applications

Market Focus, Portfolio Resilience and Operational Excellence Drive Results



Outlook for Feedstock Supply Favorable

Ethane Expected to Be Long Into 2020+



Dow's View on Market Drivers

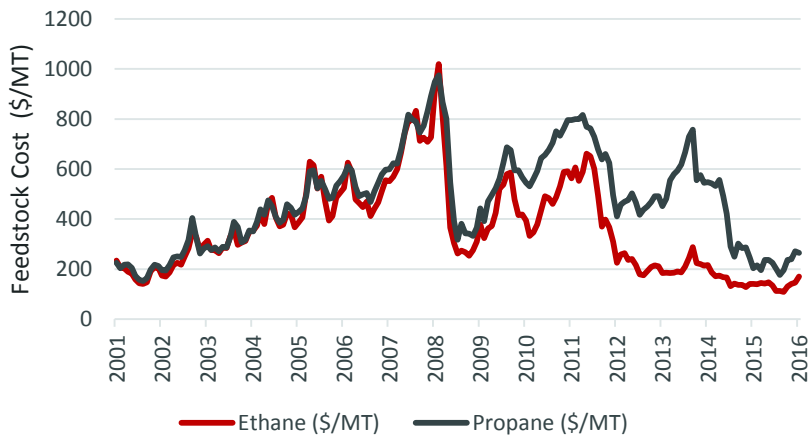
Favorable balances through next several years

- Gas well supplied
- NGL supplies grow with associated gas
- Forecasts include exports and new crackers

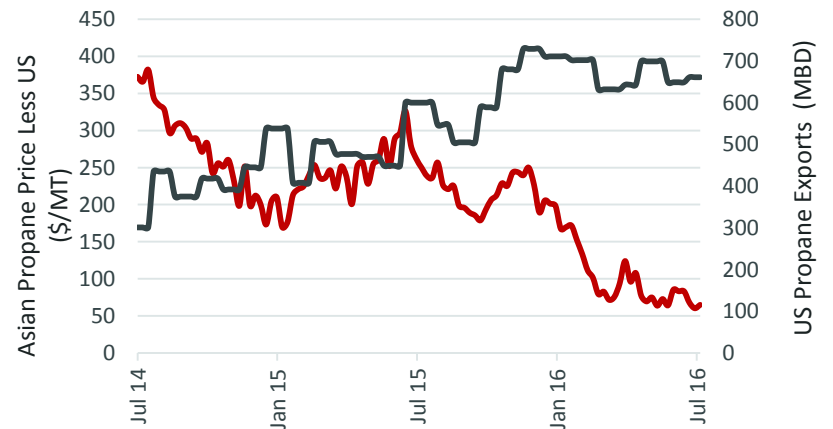
Propane supply/demand remains soft

- Propane prices below naphtha
- Propane has historically – and will continue to – cap ethane price

Propane Caps Ethane

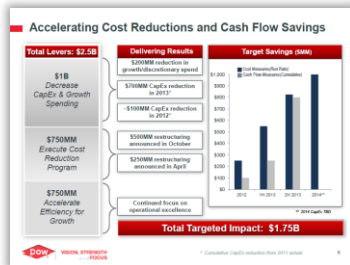


US Propane Exports Exhausting Available Buyers



Steadfast Commitment to Productivity

2012

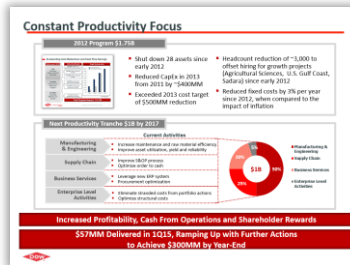


- Announced in 3Q12 to offset hiring for growth projects (Ag Sciences, U.S. Gulf Coast, Sadara) from 2012-2015
- Program Duration: 3Q12 - 1Q15

Headcount reduction: ~3,000

\$1.75B cost out

2015

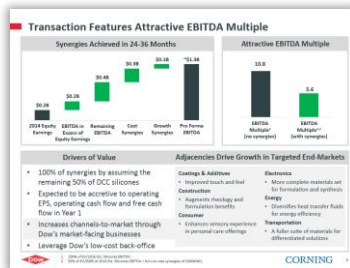


- Announced in 2Q15 to further streamline the organization and optimize the company's asset footprint post-DCP
- Program duration: 2Q15 - 4Q17

Headcount reduction: ~2,250

\$1B cost out
\$525MM delivered through 2Q16

2016



- Announced in 2Q16 as part of the Dow Corning ownership restructuring; includes asset and business actions to improve competitiveness
- Program duration: 2Q16 – 2Q18

Headcount reduction: ~2,500

\$400MM run-rate

Increased Profitability and Cash From Operations Yield Shareholder Rewards



Modeling Guidance

Initial Dow Corning

Silicones Market – Nearly double-digit demand growth in 1H16 vs. 1H15; momentum continues in 2H16

Revenue – ~\$4.5B added annually, split ~35%/65% between Consumer and Infrastructure Solutions

EBITDA – ~\$800MM/yr¹ added annually, split ~50%/50% between Consumer and Infrastructure Solutions

HSC Equity Earnings – \$75-100MM pre-tax² in 2H16, split ~50%/50% between Consumer and Infrastructure

Synergies – \$400MM cost and \$100MM growth at full run-rate; ~30% of cost run-rate achieved by YE16

Net Interest Expense – Increases Dow total by ~\$30MM/qtr

Depreciation & Amortization – Increases Dow total by \$600-650MM annually; 3Q16 Dow total ~\$775MM

Net Debt – Increased Dow total by \$3.6B on Day 1

Capital Expenditures – Increases Dow total by approx. \$250-350MM/yr; ~\$200MM remaining in 2H16

End-markets – Seasonal uptick in automotive and electronics; packaging demand remains robust

Divestitures – Impact is expected to lower EBITDA by \$100MM and revenue by \$1B vs. SQLY

Turnaround expense – Flat YoY as higher Performance Plastics spend is balanced by lower PMC spend

Equity earnings (ex. Sadara) – Down \$50-100MM YoY on Dow Corning and MEGlobal transactions

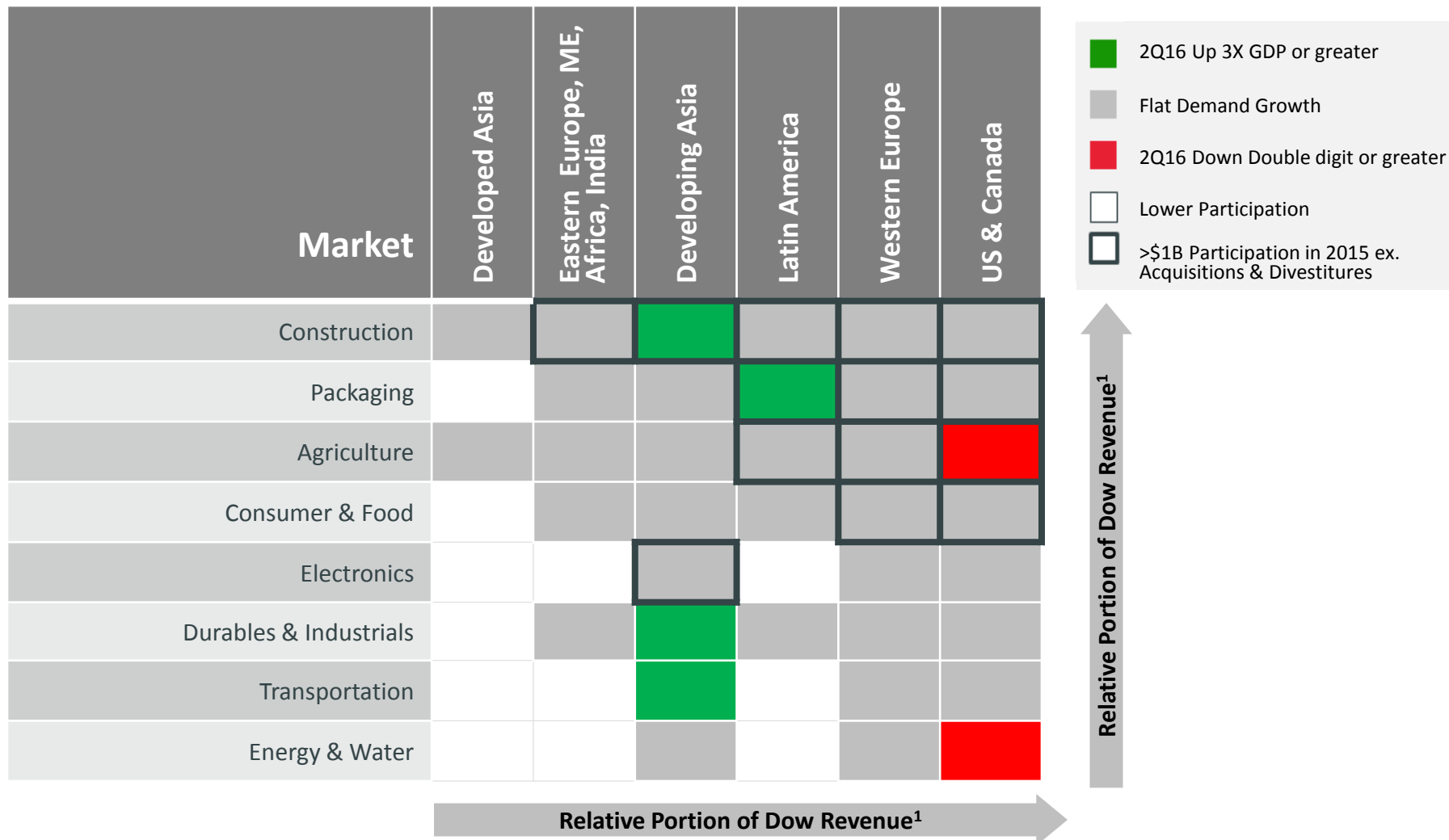
Sadara equity earnings – \$50-100MM headwind vs. SQLY ahead of unit start-ups

Tax rate – Expected to be 23-27% on an operating basis

1. Does not include incremental cost synergy realization

2. Hemlock Semiconductor (HSC) converts from a post-tax contribution to a pre-tax contribution in Dow's equity earnings as the venture is now a partnership after the Dow Corning restructuring.

Market Pulse – 2Q16 Heat Map



1. Excludes silicones portfolio

2Q16 vs. 2Q15 Sales Trends by Business

Agricultural Sciences by Business¹

	Sales	Price	Volume
Crop Protection	↓	↓	↓
Seeds	↓	↑	↓

Consumer Solutions¹

	Sales	Price	Volume
Dow Automotive Systems	↑	↓	↑
Consumer Care	↓	↓	-
Dow Electronic Materials	↓	↓	↑

Infrastructure Solutions¹

	Sales	Price	Volume
Dow Building & Construction	↑	↓	↑
Energy & Water Solutions	↓	↓	↓
Dow Coating Materials	↓	↓	↑
Performance Monomers	↓	↓	↓

Performance Materials & Chemicals¹

	Sales	Price	Volume
Polyurethanes	↓	↓	↑
Industrial Solutions	↓	↓	↓
Chlor-Alkali and Vinyl	↓	↓	↓

Performance Plastics¹

	Sales	Price	Volume
Dow Packaging and Specialty Plastics	↓	↓	↑
Dow Elastomers	↓	↓	-
Dow Electrical and Telecommunications	-	↓	↑
Hydrocarbons	-	↓	↑
Energy	↑	↓	↑



1. Excluding the impact of divestitures and acquisitions

Global Operating Rates as a Percent of Capacity

Year	QTR		YTD
2012	1Q	83%	83%
	2Q	78%	81%
	3Q	83%	81%
	4Q	78%	81%
2013	1Q	82%	82%
	2Q	78%	80%
	3Q	82%	81%
	4Q	82%	81%
2014	1Q	83%	83%
	2Q	82%	83%
	3Q	88%	85%
	4Q	86%	85%
2015	1Q	84%	84%
	2Q	84%	84%
	3Q	86%	85%
	4Q	86%	85%
2016	1Q	88%	88%
	2Q	82%	85%

Preliminary Results for Principal Joint Ventures

Principal Joint Ventures¹ – Total

Dollars in millions (unaudited)

	2Q16	2Q15
Sales	\$3,076	\$4,334
Adjusted Sales ²	\$2,376	\$3,467
EBITDA ³	\$562	\$949
Depreciation & Amortization	\$268	\$216

Dow Proportionate Share

Dollars in millions (unaudited)

	2Q16	2Q15
Sales	\$1,283	\$1,629
Adjusted Sales ²	\$1,013	\$1,245
EBITDA ³	\$248	\$329
Depreciation & Amortization	\$112	\$97
EBITDA in Excess of Equity Earnings	\$197	\$144
Equity Earnings	\$51	\$271
Net Debt ⁴	\$8,146	\$4,548

1. Dow Corning Corporation (thru 5/31/16), EQUATE Petrochemical Company K.S.C., The Kuwait Olefins Company K.S.C., The Kuwait Styrene Company K.S.C., Sadara Chemical Company, The SCG-Dow Group, Map Ta Phut Olefins Company Limited
2. Adjusted Sales defined as Sales for these joint ventures less sales to Dow and/or to other Dow joint ventures
3. EBITDA defined as earnings (i.e., "Net Income") before interest, income taxes, depreciation and amortization
4. Net Debt excludes debt owed to Dow and/or to other Dow joint ventures



Reconciliation of Non-GAAP Financial Measures

<i>In millions</i>	Three Months Ended		Six Months Ended	
	6/30/16	6/30/15	6/30/16	6/30/15
Operating EBITDA	\$2,464	\$2,452	\$4,717	\$4,853
+ Certain Items	1,763	(75)	463	587
EBITDA	\$4,227	\$2,377	\$5,180	\$5,440
- Depreciation and amortization	680	642	1,287	1,276
+ Interest Income	18	11	38	28
- Interest expense and amortization of debt discount	208	232	409	473
Income Before Income Taxes	\$3,357	\$1,514	\$3,522	\$3,719
- Provision for income taxes	130	317	20	1,003
- Net income (loss) attributable to noncontrolling interests	19	(23)	40	18
- Preferred stock dividends	85	85	170	170
Net Income Available for The Dow Chemical Company Common Stockholders	\$3,123	\$1,135	\$3,292	\$2,528